EXHIBIT F

Capturing the Benefits of Casino Gaming:
An Economic Development Initiative for Rhode Island

Submitted by Harrah's Entertainment, Inc. to the Rhode Island Special House Commission to Study Gaming, March 14, 2003

I. Introduction and Background

Policy Environment. Casino gaming is a reality today for Rhode Islanders, yet Rhode Island enjoys very few of its benefits. In Connecticut, two of the world's largest casinos – Foxwoods and the Mohegan Sun Resort - have been achieving record results and creating significant tax dollars for the public coffers of Connecticut as well as significant economic development, thanks in part to a steady stream of business from Rhode Island and Massachusetts residents. Over the past decade, while business at those resort casinos has grown exponentially, Rhode Island has not responded with a gaming product that has stemmed the flow of tax dollars and development to Connecticut. The addition of video lottery terminals at Lincoln Park and Newport Jai Alai, although contributing important revenues to the state's general fund, neither captures a significant portion of the casino budgets of Massachusetts or Rhode Island residents, nor delivers the kinds and amounts of capital investment, employment, tourism, and other economic benefits to the State that long have been associated with successful casino development.

The tax revenue and other opportunities associated with a viable in-state casino industry prompted both Rhode Island and Massachusetts to establish study commissions in 2002 to examine the issues raised by legalizing additional forms of gaming. Massachusetts' commission has already released its report, which argues that Massachusetts' failure to harness the economic benefits of an in-state casino industry is costing the Commonwealth hundreds of millions of dollars in annual tax revenue and thousands of well-paying, career-path jobs. Rhode Island's commission is expected to issue its report in the spring.

Harrah's / Narragansett Agreement. In December 2002, Harrah's Entertainment, Inc. ("Harrah's), the owner/operator of 26 casinos in 13 states, announced a partnership with Rhode Island's Narragansett Tribe, which has pursued a destination casino resort in Rhode Island for more than a decade. At the time of the announcement, Harrah's and the Tribe stated that the venture was not prepared to announce specific features of a proposed development, as to do so would be meaningless without the State first establishing the "rules of the game": (i) a tax rate upon which the venture could make an educated business decision on what type of development could be pursued, and (ii) a regulatory structure to ensure the integrity of the process which is critical in any casino environment and essential to Harrah's in any jurisdiction that it invests in.

Despite the myths that exist in certain quarters, the development of a casino resort is neither an endless goldmine that can support unlimited investment from a private investor, nor a vehicle that can generate unlimited tax revenues for a state treasury. To the contrary, from the perspective of a casino owner such as Harrah's, the development of a casino resort is similar to the pursuit of any business venture in other industries where decisions are based upon the costs of the investment, the expected return on capital, the stability of the investment environment, the competitive environment and other factors. Without the "rules of the game" being established by the State, such decisions are principally based upon guesswork -- which explains why Harrah's has been reluctant to "announce" a grand plan for casino development as other prospective developers have announced in the past.

Policy Goals. The State must determine its goals for casino development, if the State chooses to pursue it, and a plan of action to make sure they are realized. A particular and threshold concern of Rhode Island's is the potential effect of gaming expansion – both within Rhode Island as well as in neighboring states – on the revenue streams from existing VLT operations at Lincoln and Newport. As this paper demonstrates, the authorization of a West Warwick casino can lead to substantial incremental revenue for the State, and, importantly, assist in fortifying the revenue stream the state will receive as the New England market inexorably becomes more competitive.

Harrah's recognizes the State's own responsibility for determining its policy goals. We believe, however, that the following goals are legitimate and achievable:

- Recognize the reality of a casino gaming market in New England that will grow only more competitive over time.

- Provide more tax revenue to the State than its existing gaming is already generating.

- Encourage the kind of capital investment necessary to compete with other regional gaming facilities and to create long term jobs.

- Encourage a casino development that will serve as an additional anchor and adjunct to the existing tourism and convention industry.

- Limit the location of licenses to areas that either can generate the greatest economic benefits for the state, and/or where casino style gaming already exists or will have minimal impacts, so as not to change the nature of any local community.

- Encourage the kind of casino development in Rhode Island that will encourage Rhode Island citizens' gambling budgets to stay in the state, with the benefits accruing to Rhode Island businesses and Rhode Island tax coffers.

- Capitalize on geography and travel patterns, allowing for the capture of Massachusetts' gaming dollars and customers within Rhode Island.

- Encourage the development of a destination resort with all of the concomitant economic benefits.

The paper provides insights on a model of casino development in Rhode Island that would be consistent with, and help achieve, these goals.

II. Overview and Purpose of Paper

Since the Harrah's / Narragansett agreement was announced, and notwithstanding Harrah's preference for independent assessments of the opportunities and constraints posed by particular development scenarios, various government officials have asked us about:

(i) the likely fiscal impacts of a new casino resort, including the overall net fiscal impact in view of the current revenue flow that the State receives from Lincoln Park and Newport Grand;

(ii) factors that should be considered by the State in establishing a tax rate for a destination casino; and
(iii) the nature and scope of economic impacts should a destination resort casino be permitted to operate in the state.

This paper has been prepared to address such inquiries and to open up a dialog with government officials. Such dialog will be critical in the event the legislature decides to move forward with a destination resort casino, as the considerations addressed here should inform the "rules of the game" that the State would establish in any casino legislation. We encourage the State to independently analyze the data herein, and to understand the fiscal impacts of any destination casino prior to submitting the question of hosting such a casino to a public referendum.

The next section of the paper demonstrates that the incremental fiscal impacts of gaming expansion on the State of Rhode Island can be substantial, and they hinge on how and when the State reacts to potential new competition for the regional gaming dollar in New England.

On the one hand, as evidenced below, the State could enjoy a significant incremental increase in tax revenues (an increase of $200 million by Y2006, $100 million from the casino and $100 million from the additional VLT's at Lincoln Park and Newport Grand) if the State authorizes a single destination resort casino (and the citizenry votes yes), implements additional gaming positions that have already been approved by the Lottery Commission, and Massachusetts chooses not to legalize gaming. This is independent of the multiplier impacts stemming from 3,000 new jobs, 1,500 construction jobs and approximately $500 million in capital investment.

On the other hand, if Massachusetts does choose to legalize gaming and the State does not authorize a casino, the incremental benefit to the State of the newly approved positions at Lincoln Park and Newport Grand would be about $ 17 million in Y2006; essentially negating the positive fiscal impact in Rhode Island of additional gaming machines at Lincoln and Newport.

The following section of the paper identifies important considerations surrounding the establishment of a tax rate for a destination resort casino. The paper proposes a 25 % tax on all gaming win (slot and table revenue) to encourage the establishment of a facility that is not only competitive with the Connecticut tribal casinos, but that will also be differentiated from Lincoln Park and Newport Grand in terms of overall capital investment in the facility, related job generation, and potential as an additional tourism anchor for the State.

Last, the paper reviews the track record of destination casino gaming as an engine of economic development through two case studies. These two communities' experiences with direct capital investment, job creation, vendor spending, spin-off economic impacts and other positive effects provide conclusive evidence that a destination casino resort, properly planned, can be a powerful tool for economic development and rejuvenation.

III. Fiscal Impacts of Gaming Under Various Scenarios

The potential fiscal impacts of gaming must be analyzed with an eye toward the many contingencies that could affect the competitive landscape of gaming in the New England market. For example, will Massachusetts legalize slot machines at four parimutuel facilities and an additional casino in Southeastern Massachusetts? If so, when will legalization occur, and when will the new facilities open? These are just some of the variables that must be considered. Moreover, given the potential for legalization in Massachusetts and the reliance of the State on revenues generated by Lincoln Park and Newport ($153 million in Y 2002), the State must understand what action, if any, is required to fortify and secure the revenue base it currently receives from existing gaming facilities in Rhode Island.

Harrah's has evaluated the demand for gaming in the region and the distribution of gaming spending through modeling a number of possible development scenarios.[1] We then calculated the likely fiscal impacts of the resulting patterns of expenditures. Understanding the revenue implications of the proposed scenarios requires understanding the factors which would affect the demand for casino gaming in the various individual New England gaming markets. Estimates of gaming revenue are determined by application of a demand model that calculates consumers' demand for gaming within distance rings of 25, 50, 100, 150, 200, and 250 miles from each casino site based on two factors – Attraction and Friction. Attraction is a function of the number of gaming positions. Friction is essentially a function of distance. The model calculates demand for each ring based on the population within a zip code and the expected travel path using known roadways and geographical barriers.

The model values full gaming versus slots-only gaming product types differently. Average patron spending per trip is based on time gambled, which is itself influenced by distance. As trip distance increases, average patron spending per trip also increases.

The first scenario below assumes that Rhode Island adds positions at Lincoln and Newport as already approved by the Lottery Commission, while Massachusetts legalizes slots at tracks and limited commercial casino gaming. The second two scenarios both assume that Rhode Island implements additional video lottery terminals as well as the Harrah's-Narragansett casino in West Warwick. Scenario Two assumes legalization of gaming in Massachusetts, while Scenario Three does not.

Scenario One: Gaming Expansion in Mass.; Increased Positions in RI

Scenario One may be considered a worst-case scenario for Rhode Island, featuring gaming expansion in Massachusetts (slots-at-tracks as well as commercial casino gaming) and only the proposed expansion of video lottery offerings at Lincoln and Newport. It does not include the proposed Harrah's-Narragansett casino in West Warwick. When the expansion of gaming in Massachusetts comes on-line as projected in 2005, that expansion will render almost negligible the positive impacts in Rhode Island of the additional gaming positions at Lincoln and Newport. The expansion of gambling in Massachusetts certainly will curtail the ability of Rhode Island to derive significant incremental revenues from Lincoln and Newport as these facilities will find it more difficult to compete with (i) additional positions at track facilities in Massachusetts that will be closer to a portion of the existing customer base; and (ii) a full scale commercial casino located in a closer proximity than the Connecticut casinos.

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[1] The modeling uses Lincoln Park and Newport Jai Alia Y 2001 actual revenues and annualizes Y2002. Where noted the position expansion at these two tracks is assumed to take effect in January 2003. The Mass. scenarios assume 1,500 vlt's at 4 tracks open by mid-2003. The resort casinos in Mass and RI are assumed to open in January 2005.

Scenario One: Gaming Expansion in Mass.;
Increased Positions in RI

GGR	# Positions	2001	2002	2003	2004	2005	2006	2007
Lincoln Park	3,000	201	233	317	353	257	263	267
Newport Jai Alai	1,300	53	64	70	75	46	47	47
		254	297	387	428	303	310	314
Gaming Tax	Tax Rate							
Lincoln Park	current	102	120	166	189	140	145	150
Newport Jai Alai		27	33	37	40	25	26	26
Tax Revenue		129	153	203	229	165	171	176

Scenario Two: Gaming Expansion in Mass.; Narragansett Casino and Increased Positions in RI

Scenario Two provides what might be described as a "buildout" scenario, as it anticipates the effect increased gaming in Massachusetts would have on the regional market as well as expansion of gaming in Rhode Island. Massachusetts is projected to offer both slots at racetracks and commercial casino gaming. Under this model, which assumes the opening of Harrah's Narragansett in Y2005, the incremental gaming tax revenues for Rhode Island reflect a $60 million increase in revenues from where they are today. The model further assumes a 25% tax on casino gaming revenues, a rate which, as discussed below, is critical to attracting the level of capital investment necessary for a destination casino that will be competitive to the Connecticut casinos. The bottom line here is that a destination casino resort, if planned properly, can secure for the State a portion of the gaming tax revenues that is currently exported to Connecticut and may be further threatened by Massachusetts if it decides to legalize additional gaming.

Scenario Two: Gaming Expansion in Mass.;
Narragansett Casino and Increased Positions in RI

GGR	# Positions	Tax Rate	2001	2002	2003	2004	2005	2006	2007
Lincoln Park	3,000		201	233	317	353	235	247	260
Newport Jai Alai	1,300		53	64	70	75	37	38	38
Narragansett	3,500						260	293	325
			254	297	387	428	532	577	623
Proposed Gaming Tax									
Lincoln Park			102	120	166	189	128	136	146
Newport Jai Alai			27	33	37	40	20	21	21
Narragansett		25.0%					65	73	81
			129	153	203	229	213	230	248

Scenario Three: Status Quo in Mass.; Narragansett Casino and Increased Positions in RI

Scenario Three presents the best case model, assuming the addition of a Harrah's Narragansett casino resort in West Warwick (again taxed at a competitive 25 percent), the addition of positions sought by Lincoln/Newport, and no legalization of gaming in Massachusetts. In brief, by Y2006, this scenario is projected to create $353 million in gaming tax revenue to the State (an incremental $100 million derived from the new casino and $200 million more than is received by the State today). By Y 2007, the projection is for $369 million (an incremental $106 million derived from the casino).

Scenario Three: Status Quo in Mass.;
Narragansett Casino and Increased Positions in RI

GGR	# Positions	Tax Rates	2001	2002	2003	2004	2005	2006	2007
Lincoln Park	3,000		201	233	317	353	353	389	397
Newport Jai Alai	1,300		53	64	75	85	70	71	73
Narragansett	3,500						360	400	425
			254	297	392	437	783	860	894
Proposed Gaming Tax									
Lincoln Park			102	120	166	189	192	214	222
Newport Jai Alai			27	33	39	45	38	39	41
Narragansett		25.0%					90	100	106
			129	153	206	234	320	353	369

IV. Appropriate Taxation for Casino Gaming

An essential component involved in establishing the "rules of the game" for a destination casino resort is the tax rate on gross gaming revenues. Harrah's believes that it is essential for the State to determine the rate prior to any legalization, and to incorporate that determination into any legislation calling for a referendum. Otherwise, it will be unfair to ask voters to pass judgment on a "casino" when they do no know what will be built. Furthermore, it would be disingenuous for any potential casino operator to tout a casino, related capital investment, likely job creation and other economic benefits without knowing the tax rate. Factors to consider in establishing such a rate include.

- **Relationship of Tax to Capital Investment** – As is the case in any other industry, the tax rate on a casino will directly impact the level of capital investment that those with a financial stake in a development are willing to invest and reinvest in a project. In general, there is an inverse relationship between the tax rate and the amount that investors are willing to invest, especially in markets like Rhode Island that face existing and future competitive threats. For a major destination entertainment resort development involving the investment of $400 million or more, there must be enough after-tax return on the investment to attract the capital necessary to proceed. By way of comparison, the high tax rate on Lincoln Park, one of the highest in the nation, discourages reinvestment in the facility (with few entertainment amenities). The Missouri Gaming Commission, in explaining its recommendation that the State not increase the tax rate on Missouri casinos (Missouri's tax is at 18% + a 2% local tax + a $2 per person admission fee) reasoned in its

2002 Annual Report to the General Assembly that a large tax increase is "… likely to have negative long term economic effects on the State of Missouri. It will deter capital investment, cost jobs, and in the final analysis, is likely to result in less gaming tax revenue because operations will shrink in order to more efficiently bear the costs of the increased pre-expense tax burden."

- **Taxes Imposed on Competitive Facilities** – A crucial factor in the establishment of a tax rate in Rhode Island is the tax rate paid by operators in competing jurisdictions, because any casino authorized in Rhode Island will need to directly compete with such operations. In Connecticut, competing casinos are taxed at 25% of gross slot win with no tax on table game win.[2] This acts as a de facto guide for the parameters of a tax if Rhode Island is to feature a facility that is competitive with the Connecticut casinos. Any tax that exceeds this amount will put a Rhode Island operator at a competitive disadvantage to the Connecticut casinos right at the outset, above and beyond the significant "first to market" advantage enjoyed by the Connecticut casinos who have had approximately a decade to understand their market and establish loyalty with the very patrons a Rhode Island casino must compete for.

- **Lower Tax Rates Don't Necessarily Translate into Lower Tax Revenues** – Large destination resort casinos tend to create a larger revenue base than non-destination facilities due to the relative size of the facilities, the amount of visitation, the hours of operation, the highly competitive range of products offered to patrons, the relatively high direct and indirect employment, and related tax multiplier impacts. Moreover, large destination resort casinos tend to continually reinvest and expand their facilities, which also increases the tax base. For example, in Atlantic City, Harrah's recently completed its fifth hotel tower and a casino expansion that doubled the size of the casino from when it opened to 112,918 square feet, developments that have significantly expanded the revenue base upon which the New Jersey 8 % casino tax is applied.

- **Impact of a Gross Gaming Tax and Other Taxes Paid by Operator** – A poorly understood component of casino taxation is that a gross gaming tax is a flat tax, assessed on an operator regardless of (i) the amount of capital invested (and related risk) and (ii) the degree of financial success (profitability). Moreover, the tax is separate and distinct from other state and federal taxes paid by an operator such as state and federal corporate taxes. This last point is important in establishing a tax rate in Rhode Island as the operators of the Connecticut casinos – two Indian nations - are sovereign nations that do not pay state and federal income taxes that all other businesses must pay, a further competitive advantage for the Connecticut casinos.

Conclusion and Recommendation: Based upon the above factors, we recommend that the legislature consider a 25% tax on gross gaming win, including slots and table games. While such a tax is somewhat higher than the payments that the State of Connecticut assesses via its compacts with the Mohegan and Pequot tribes, Harrah's believes that such a tax rate is fair, competitive, consistent with rates established in other parts of the country, and will encourage the level of capital investment necessary for Rhode Island to have a first class casino entertainment business.

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[2] As Gary Loveman testified at the Study Commission hearing, a 25% tax on slot revenues is somewhat illogical from a State perspective as it provides an inducement for an operator to encourage table game play, which is not taxed, to reduce the monies due the State.

V. Is Gaming Economic Development?

Despite unsupported statements by those opposed by gaming, the objective data consistently demonstrates that legalized and regulated casino gaming is a proven job creator, a catalyst for economic rejuvenation, and a dependable source of public revenue. Unlike creative incentives established by state government to lure new business development, casino gaming does not depend on asking taxpayers for handouts in the form of inducements, tax abatements, and major infrastructure improvements.

For two years, the National Gambling Impact Study Commission surveyed the evidence around the country and concluded in its 1999 report to Congress and the President that casinos truly are engines of economic development and revitalization. The Commission found that communities close to casinos generally experience less unemployment, less welfare dependence, and higher per capita income than communities further from casinos. It determined that "the economic benefits of casino gaming have been especially powerful in economically depressed communities where opportunities for economic development are scarce. State, local and tribal government officials from other communities with casino gaming testified with near unanimity to the positive economic impact of gaming."

These findings by the bi-partisan panel representing proponents and opponents of gaming should be enough to establish the record on the issue of economic development. However, in its 65-year history, Harrah's has witnessed first hand redevelopment and development at its 26 properties throughout the United States. Two good case studies are in Joliet, Illinois located outside Chicago and Shreveport, Louisiana, both of which jurisdictions represent a significantly smaller investment than that contemplated in Rhode Island.

Joliet, Illinois provides a great lesson on how local officials can harness the economic benefits of casino gaming to assist an entire community. Joliet city officials credit Harrah's casino with revitalizing a downtown that had been crippled by the economic downturns of the 70s and 80s that have plagued so many Rust Belt communities.

- To date, Harrah's has invested more than $120 million in the Joliet property, with a 40,000 square foot casino barge, four restaurants, and a 204-room hotel.
- More than 1,600 people are employed in the heart of downtown, with annual payroll and benefits totaling more than $62 million.
- Last year Harrah's attracted about 2.7 million customers to the casino.
- From the opening in 1993 to March 2002, the casino generated a total of $501 million in gaming tax revenue, with about $393 million going to the state and another $108 million remaining in the city.

The development, however, is not limited to the casino itself.

- The city has spent about $7 million annually for capital improvements such as sewers and roadways that benefit all businesses in Joliet.

- Improved streetscapes with new sidewalks, streetlights, and other design elements unify the city's downtown entertainment and retail district. More than $5 million was made available for rebuilding the city's main police station, and more than $11 million has been devoted to the city's educational development efforts.

- Harrah's commitment of capital allowed the city to accelerate a 25-year downtown development plan by at least 20 years.

It's important to remember the depths to which downtown Joliet had sunk. Until Harrah's opened in 1993, Joliet's most recent new private sector construction in the City Center took place way back in 1976. The city has taken on a new attitude of rejuvenation, and city officials are aggressively developing its image as a destination point for entertainment and recreation, a far cry from when it was identified by the state prison that for decades anchored its economy. Downtown is now populated with a wealth of rehabbed buildings such as Joliet's Union Station (built in 1912), the Auditorium Building (1891), and the Louis Joliet Hotel (1899). These structures, and at least ten others, are being renovated for retail, office, and/or residential use. Last May, Joliet's new minor-league baseball team – the Joliet Jackhammers – began playing in a brand-new $25 million downtown baseball stadium. And the new Chicagoland Speedway brings NASCAR fans by the thousands to the track just south of the city. In 1999, Joliet was named a finalist in the national All-American City contest.

Harrah's Shreveport in Louisiana presents a similar story. Ten years ago, Shreveport had a downtown, in which no one wanted to visit, work, or live. Now it is a regional tourist destination for millions of people each year.

- To date, Harrah's has invested more than $225 million in the Shreveport property, with a 30,000 square foot casino barge, four restaurants, and a 514-room hotel.

- More than 1,800 people are employed in the heart of downtown.

- Last year Harrah's attracted about 3 million customers to the casino.

Again, the development is not limited to the casinos.

- Throughout downtown Shreveport, existing buildings are being refurbished into lofts, shops, art galleries and antique stores patronized by the casino patrons, many from bordering states, that otherwise would not be visiting Shreveport.

- A $30 million urban entertainment district called Rivertown – a mixture of new construction and rehabilitation of others – is underway and promises to change Shreveport's urban core even more. The retail/entertainment space leased already exceeds that of Beale Street Memphis, the second leading tourist destination in the South to Bourbon Street in New Orleans.

- At buildout, Rivertown will employ 700 workers, the largest influx of jobs in decades with the exception of the casino employment. by Harrah's and a competing casino in the downtown.

- A new $85 million, 350,000 square foot convention center is scheduled to open soon, a project made feasible by the advent of the casino downtown. Downtown Shreveport now also has an IMAX theater and a Science Discovery Center funded, in part, by casino taxes.

- As Pam Atchison, Executive Director of the Shreveport Regional Arts Council stated "Harrah's broke ground in Shreveport in June 1993, and everyone at the company was determined to make a statement form the start that they were as much about being good community members as good business people. … In many ways, its management team has mentored us, helping us market programs and events and attract an audience, Harrah's has a goal that every time you visit one of its casinos, you have a unique and memorable experience. It has taught us a lot about how to create a unique, memorable experience in the arts. Harrah's is a problem solver and community activist and is willing to put its money where its mouth is. It encourages volunteer efforts because it is committed to having its employees be a huge part of the community."

This is economic redevelopment at work

Harrah's also witnessed such redevelopment in Tunica County, Mississippi, where casino gaming has provided thousands of well-paying jobs for local residents, changing the story of Tunica County from one of economic and social disgrace to one of true economic and social empowerment. Harrah's has witnessed it on tribal lands with the Ak Chin Indian reservation outside of Phoenix, the Cherokee reservation in North Carolina, the Prairie Band of Pottawatomi Indians in Kansas and the Rincon band of Mission Indians outside of San Diego. And, the same can be said for Harrah's other properties in Missouri, Louisiana, Atlantic City, New Jersey, Nevada, and Iowa.

The direct jobs created by Harrah's and its spending on goods and services with local vendors also assist in redevelopment of communities. In 2001 Harrah's, with over $5.4 billion in assets, spent $1.38 billion with 16,073 vendors throughout the country. It paid its then 39,154 employees (now over 44,000) more than $942 million in wages, not counting the significant benefits paid. Total wages -- including benefits – amounted to more than $1.2 billion. Casino jobs are varied and offer opportunity to people with a wide variety of skills. Casinos jobs are in the areas of Casino Operations (including machine technicians, cashiers, dealers, table game supervisors), Marketing (including public relations, market research and advertising professionals), Casino Services (including security, food and beverage, retail purchasing, and maintenance and facilities specialists), Human Resources (including employee relations, compensation, staffing and training specialists) and Finance and Administration (including accounts payable, audit, payroll, income control specialists, information technology professionals, and lawyers).

Based upon an Harrah's employee survey several years ago, several telling facts were discovered:

- 11% of the employees indicated that they no longer received food stamps because of their jobs.

- 12% of the employees indicated that they have been able to get off welfare because of their jobs.

- 19% of the employees indicated that they had been able to get off unemployment because of their jobs.

- 73% of the employees indicated that they had been able to get better health care because of their jobs.

- 66% of the employees indicated that they had been able to improve their job skills.

These are the kind of facts that assist in redeveloping communities. It is also noteworthy that Harrah's paid out approximately $32.9 million in charitable donations and sponsorships to 2,029 recipients in 2001.

Casinos will bring growth and economic development, there's no way of getting around it. Gaming development can affect the quality of life in a community, much like any new shopping mall, convention center, or major tourist attraction can affect a community. All of these developments can consume natural resources, generate vehicular and pedestrian traffic, and place new demands on public utility infrastructures. If state and local governments take the time to address and develop plans to mitigate these impacts -- just as they would for any other major development -- these impacts can be anticipated and lessened considerably or avoided altogether. Gaming does not, however, lead to the unsubstantiated myths that those opposed to gaming have put forward. See Casino Gambling: What about the Negative Consequences and cites to authorities therein. What is clear is that joint planning between those in the industry and in government is the critical.

VI. Conclusion

The modeling set forth in Section III makes it abundantly clear that the State must make reasoned and informed decisions regarding how it proceeds with the issue of expanded gaming. If it determines to not expand any form of gaming, it needs to be prepared to deal with the economic ramifications and tax shortfall, especially if Massachusetts pursues expanded gaming. If, on the other hand, it wants to examine locating a destination casino resort in the State and gaining incremental tax revenue that is currently exported to Connecticut (and is at risk to Massachusetts), there needs to be thoughtful and deliberative analysis of developing the "rules of the game" – taxes, regulatory structure etc. – as soon as possible so that informed decisions can be made by all participants and appropriate legislation can be drafted. As set forth in Section IV, Harrah's recommends a tax at 25% to incent the level of capital investment necessary to develop a competitive facility, which is consistent (albeit slightly higher) than the taxes collected by Connecticut authorities. We submit that such a tax rate would be fair, will spur the appropriate level of capital investment in West Warwick to assist in its redevelopment, will create significant employment (both construction jobs and thousands of permanent jobs in the casino) and, ultimately, will encourage the creation of an additional tourism anchor for the State.

If the State leadership is inclined, Harrah's and the Narragansett Tribe propose discussions with a small team of persons representing the interests of the State to determine an economic and regulatory structure that can work for Rhode Island. Such planning will assist all parties as the Legislative Session gets underway and will permit State officials to independently analyze the data contained in this paper prior to hearings being held at which all such information will be available for public scrutiny.